

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 EB-11 COME-00 INT-08 TRSE-00 NEA-10

AID-20 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15

ACDA-19 IO-14 OMB-01 DRC-01 /176 W

----- 048430

R 060755Z DEC 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5824

INFO AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 5343

E.O. 11652: N/A

TAGS: ENRG, MY

SUBJ: GOM VIEWS ON WORLD ENERGY CRISIS

REF: KUALA LUMPUR 5143

1. SUMMARY: RECENT STATEMENTS BY DEPUTY PRIME MINISTER AND FINANCE MINISTER NOTE GOM CONCERN OVER WORLD ENERGY CRISIS AND IMPACT OF OIL SHORTAGE ON MALAYSIAN ECONOMY, ALTHOUGH IT POINTED OUT THAT MALAYSIA NOT CRITICALLY THREATENED AT PRESENT. GOM ACKNOWLEDGES NEVERTHELESS THAT WORLD-WIDE ECONOMIC RECESSION AND FUEL SUPPLY DIFFICULTIES COULD PUT DAMPER ON ECONOMY, THUS THREATENING SECOND MALAYSIA PLAN DEVELOPMENT GOALS. END SUMMARY.

2. IN PARLIAMENT DEC 4, DEPUTY PRIME MINISTER HUSSEIN ONN, REPLYING TO CRITICISMS OF SECOND MALAYSIA PLAN MID-TERM REVIEW (SEPARATE EMBASSY REPORT FORTHCOMING), HIGHLIGHTED SERIOUSNESS OF WORLD ENERGY SITUATION WHICH COULD LEAD TO "FURTHER SLOWING DOWN OF WORLD ECONOMIC ACTIVITY AND EVEN TO RECESSIONARY CONDITIONS IN INDUSTRIALIZED COUNTRIES, WITH ADVERSE EFFECTS ON OUR EXPORTS."

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ON THE OTHER HAND, HUSSEIN NOTED ENERGY CRISIS COULD ALSO LEAD

TO GREATER DEMAND FOR NON-PETROLEUM BASED PRODUCTS,
PARTICULARLY NATURAL RUBBER. NET EFFECT OF WORLD DEVELOPMENTS ON
MALAYSIA DIFFICULT TO FORETELL AND GOVT WILL WATCH SITUATION
CLOSELY, AT SAME TIME GUARDING AGAINST BEING "UNNECESSARILY
ALARMIST."

3. PRESENTING 1974 BUDGET TO PARLIAMENT DEC 5, FINANCE MINISTER
TUN TAN SIEW SIN SAID THAT, DUE TO OIL CRISIS, IT
DIFFICULT TO FORECAST 1974 WORLD ECONOMIC TRENDS. NEVERTHELESS,
GOM EXPECTS SLOWER GROWTH AND CONTINUED INFLATION FOR
INDUSTRIALIZED COUNTRIES IN 1974 WITH POSSIBLE DECREASE IN DEMAND
FOR MALAYSIAN PRIMARY COMMODITIES AS NOTED IN HUSSEIN ONN
STATEMENT ABOVE. TUN TAN ALSO SAID THAT RATE OF EXPANSION OF
MALAYSIAN ECONOMY WILL PROBABLY DECLINE BUT IS STILL EXPECTED
TO SUSTAIN HIGH RATE OF GROWTH OF ABOUT SEVEN PERCENT AT
CONSTANT PRICES (SEE ADDITIONAL FORTHCOMING REPORT ON BUDGET
MESSAGE).

4. COMMENT: SECOND MALAYSIA PLAN MID-TERM REVIEW PROJECTS SUS-
TAINED GROWTH OF MALAYSIAN ECONOMY AT 7.1 PERCENT PER YEAR IN
1974-1990 TIME FRAME, AN OBJECTIVE THAT COULD BE SERIOUSLY
JEOPARDIZED IN NEAR TERM BY PETROLEUM SHORTAGES. AS NOTED
REFTEL, DISLOCATION TO MALAYSIAN ECONOMY BY CURRENT IMPACT OF
GLOBAL OIL CRISIS IS NOT AS SERIOUS AS IN MANY COUNTRIES, BUT
LONG-TERM DEVELOPMENT OBJECTIVES COULD WELL BE AFFECTED BY
FAILURE OF ECONOMY TO EXPAND AS RAPIDLY AS IN RECENT PAST,
THUS CREATING NEW POLITICAL DIFFICULTIES AND TIPPING
DELICATE RACIAL BALANCE ON WHICH SECOND MALAYSIA PLAN IS
PREDICATED. GOM REACTION TO OIL CRISIS, AS REFLECTED IN
MINISTERIAL STATEMENTS AND REFTEL ASSESSMENT, HAS BEEN LOW-
KEY AND CAUTIOUS, SEEKING TO RETAIN PUBLIC CONFIDENCE THAT MALAYSIA
IS STILL IN GOOD POSITION.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES, PETROLEUM PRODUCTION, ENERGY, ECONOMIC CONDITIONS, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KUALA05343
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731241/aaaabegu.tel
Line Count: 94
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: KUALA LUMPUR 5143
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Nov-2001 by martinml>; APPROVED <26-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOM VIEWS ON WORLD ENERGY CRISIS
TAGS: ENRG, MY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005